

BACKGROUND

Port Arthur Naval Base area comprises some 250 sq. mi. at tip of Liaotung Peninsula. In addition to port facilities for light naval forces at Port Arthur itself, there are 14 airfields in the area, 8 of them suitable for jets. Radar and communications facilities will probably be left intact for Chinese.

Only important city is Dairen (population - 1950 - 300,000) at southeast tip of peninsula.

Dairen is southern terminus of former Changchun railway. Has extensive machinery industry, large refinery, chemical plant and China's largest shipyard.

Developed by Japanese, Dairen is well-planned modern city with port facilities second in China only to Shanghai's.

Dairen occupied by Russians in 1945. Since 1950, area and port increasingly administered by Chinese.

MISSING PAGE

ORIGINAL DOCUMENT MISSING PAGE(S):

2, 3, 4

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V. Communiqué also raises Formosa

question. *but very briefly*

Query did Chinese press for more and fast to get it?

25X1X4

A. Language is mild, does not

mention "liberation" of

island.

B. In all, suggests further
diplomatic maneuvers forth-
coming, rather than early
Soviet-supported Chinese

Communist attack on Formosa.

But cf. alarmist cable from Colombo

C. Very doubtful if Communists

believe US would quit

Formosa as quid pro quo for

Port Arthur withdrawal.

*But does "clean" Russian-Chinese hands in
claiming Form. OSI: and possibly Hanyang,
Macao.*

*Mil clauses of 50 treaty not mentioned
but NB Bulgaria - Pung to Luch
trans symbolized continuing military collaboration.
So possible rescue clause may
cover Perfection*

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Summary

Impressive demonstration of Sov Chin unity

Long term confidence

Rational approach to their joint problems.

Further enhancement Beijing international
prestige.